

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268

RETAIL GROUND AND PARCEL SELECT GROUND
SERVICE STANDARD CHANGES, 2022

Docket No. N2022-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS
1-7 OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 2
(April 13, 2022)**

The United States Postal Service hereby provides its responses to the above-listed questions of the Presiding Officer's Information Request No. 2, issued on April 6, 2022. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno
Chief Counsel
Global Business & Service Development

Christopher M. O'Connell
Andrew L. Pigott
C. Dennis Southard IV
Attorneys

475 L'Enfant Plaza, SW
Washington, DC 20260-1135
dennis.southard@usps.gov
(202) 268-6284
April 13, 2022

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JARBOE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

1. Please refer to USPS-T-1, USPS-T-2, and USPS-T-3.¹ The Postal Service describes a “significant growth” in the market for shipping and delivery of commercial packages, and observes a trend of retailers moving inventories closer to population centers. USPS-T-1 at 8. The Postal Service summarizes these trends’ combined effect as lowering the demand for “expedited, long-haul shipments” and increasing the demand for short distance and less expensive ground transportation of commercial packages. *Id.* The Postal Service also contends that the increased demand for short-distance ground transportation is “well suited for RG and PSG services with shortened service standards in the contiguous United States.” *Id.* The Postal Service also states that the percentages of RG and PSG transported by air will increase due to the consolidation with FCPS, but the Postal Service anticipates that “[a]s the surface transportation network grows,” air transportation would become “almost entirely eclipsed” by surface transportation, with “a vast preponderance of RG and PSG packages” using ground transportation. USPS-T-2 at 17.
 - a. Please confirm that as the demand for long-haul package shipments decreases, density in long-distance lanes decreases as well, leading to volumes necessitating long-distance transportation growing less sufficient to justify the cost of surface transportation.
 - i. If not confirmed, please explain.
 - ii. If confirmed, please explain why the Postal Service expects that “a vast preponderance of RG and PSG packages would travel on the ground” in a network with declining long-distance package volumes. USPS-T-2 at 17.
 - b. Please describe the surface transportation network that the Postal Service anticipates to grow, including how this network would transport long-distance volumes in a cost-effective manner.

Response:

1.a. The hypothetical is confirmed, although it does not accurately reflect the testimony or the Postal Service’s position. Contrary to the assumption in the

¹ Direct Testimony of Steven E. Jarboe on Behalf of the United States Postal Service (USPS-T-1), March 21, 2022; Direct Testimony of Kevin P. Bray on Behalf of the United States Postal Service (USPS-T-2), March 21, 2022; Direct Testimony of A. Thomas Bozzo on Behalf of the United States Postal Service (USPS-T-3), March 21, 2022.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JARBOE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

hypothetical, we do not expect demand for long-haul package shipments to decrease.

Rather the expectation is that demand for "*expedited*" (*i.e.*, 1-2 days) long-haul shipments will decrease. See USPS-T-1 at 5-8. Because the planned service standard changes for RG and PSG will improve those products from low speed to medium speed, they should not be impacted by the reduced demand for *expedited* long-haul package service.

i. N/A

ii. As noted above, we do not anticipate declining demand for medium-speed, long-distance package service. Rather, combining RG and PSG volumes with FCPS volume will increase overall volume allowing the Postal Service to improve processing and transportation network capacity and efficiency to transport long-distance volumes in a cost-effective manner.

1.b. The surface transportation network is the same as that which we plan to use for FCPS. Cost-effectiveness in this context is linked to volume. The cost of package transportation is, in part, a function of the volume of packages being transported; that is to say, as volumes increase, unit costs decline. To illustrate, it may be more expensive to ship a truckload of packages by air than by chartering a truck, whereas it would be less expensive to ship a single package by air rather than by chartering a truck. Thus, as volume increases, there comes a point where the volume is such that it becomes more costly to ship by air than by ground. By consolidating RG and PSG volume with FCPS volume, overall lane volumes will increase. As lane density increases, it

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JARBOE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

becomes less and less costly (*e.g.*, more cost effective) to ship that volume by ground.

Stated otherwise, as volume increases, so does the cost-effectiveness of shipping that volume by ground, and so the surface transportation network will grow relative to air transport.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JARBOE TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

5. Following from the Postal Service's responses to questions 1. to 4. above, please explain how each discussed item contributed to the Postal Service's determination that adding RG and PSG products to the FCPS network would enhance achievement of its goals of financial sustainability and service excellence.²

Response:

By adjusting the processing and transportation of RG and PSG with FCPS within the contiguous United States, we can improve the RG-PSG service standards from the current two- to eight-day standard to a two- to five-day standard. The enhanced standards will allow us to not only better serve our customers by providing faster service for large package shipments but will enable us to be better positioned to meet growing consumer and business needs for a medium-speed, low-price ground transportation solution for shipping large packages within the contiguous United States. This should translate into additional, contribution-positive volume, which helps increase sustainability of the Postal Service. Combining RG-PSG volume with FCPS volume will also improve efficiency in transportation and processing capacity utilization. By making the product more attractive to potential users, these changes will improve product revenue and service in furtherance of our financial sustainability and service excellence goals.

² United States Postal Service, Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence, March 23, 2021, available at https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf (Postal Service Strategic Plan).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

2. Please refer to USPS-T-2. Please refer also to USPS-T-3. The Postal Service states that upgrading service standards for RG and PSG in the contiguous United States from the current 2-8 days to 2-5 days would correspond to RG and PSG products being transported together with FCPS pieces. USPS-T-2 at 1. The Postal Service explains that this would result in transportation mode shifts for RG, PSG, and FCPS volumes. USPS-T-3 at 5-6. Namely, RG and PSG volumes would shift from the surface to the FedEx Day Turn air transportation, while FCPS would shift from commercial air to FedEx Day Turn air transportation. *Id.* For RG, PSG, and FCPS volumes transported in the surface network, the Postal Service anticipates gains in efficiency due to increase in truck capacity utilization. USPS-T-2 at 12-13. Please provide details regarding the anticipated impact of the planned changes on the Postal Service's transportation network.
- a. Please confirm that the Postal Service's projections for FCPS do not include any air-to-surface volume shifts from the current (*i.e.*, Fiscal Year (FY) 2021) levels, and only include FCPS volumes shifting from the less costly commercial air carriers to FedEx Day Turn.
- i. If not confirmed, please provide references to all materials or analysis filed in the instant proceeding that demonstrate support for the proposition that truck capacity will be utilized more efficiently.
- ii. If confirmed, please explain why the Postal Service does not project any of the FCPS volumes that currently necessitate air transportation³ to shift to the surface network, following the implementation of the 2- to 5-day service standards for FCPS, RG, and PSG, and the associated extended surface transportation reach capability for 4-day and 5-day volumes.
- b. Please confirm that the Postal Service estimates FCPS volume shifts from the less costly commercial air to the more costly FedEx Day Turn air transportation,⁴ as well as an improvement in the surface network's capacity utilization, as a result of "the bundling together of RG and PSG with FCPS." USPS-T-2 at 12-13; USPS-T-3 at 1-2. If not confirmed, please explain.

³ Currently, with FCPS packages subject to the 2- to 3-day service standards, less time is available in their transportation windows, forcing the Postal Service to transport 3-day volumes via the air transportation.

⁴ See Library Reference USPS-LR-N2022-1/NP3, March 21, 2022, Excel file "RG.PSG.FCPS.Cost.Impact.nonpublic.xlsx," tab "Summary_Trans," cells H7 and J7.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

- i. If question 2.b. above is confirmed, please explain why the three products (FCPS, RG, and PSG), when assigned to air transportation, cannot be transported separately, each via the least costly air carrier that ensures the mail's arrival at the destination within the available transit window.
- ii. If question 2.b. above is confirmed, please also confirm that processing and distribution centers (P&DCs) are currently operationally capable of dispatching small parcels (such as FCPS) at the same time as large parcels (such as RG and PSG that would be added to the FCPS network), and that adding RG and PSG to FCPS flows would not result in adding trips to existing surface lanes. Please support the provided response with data and specific examples.
- c. Please explain whether the Postal Service would combine RG, PSG, and FCPS volumes with any other inter-sectional center facility (SCF) network products' volumes on surface transportation in order to increase truck capacity utilization. If the Postal Service would not combine RG, PSG, and FCPS volumes with any other products' volume, please explain why.

Response:

2.a. Confirmed. The estimated shift in volume from commercial air to cargo carrier was based on current state as a conservative estimate.

- i. We do not have estimates quantifying how much utilization will increase due to combining RG and PSG with FCPS. Our current surface utilization in FY22 is between 43-47 percent. Adding volume to the current network will help improve container utilization and truck utilization.
- ii. We do project some lanes to shift from Air to Surface as a result of combining volumes of FCPS, RG, and PSG. Those estimates were provided in USPS-LR-N2022-1-NP4.

2.b. Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

- i. The products will be combined and will travel on the mode assigned to a particular lane. If air, the combined products will need to travel via a cargo carrier, or commercial with appropriate security screening. Otherwise, products will be combined on service responsive surface transportation.
 - ii. Confirmed. P&DCs are capable of separating non-machinable packages from machinable packages. Our current surface utilization in FY22 is between 43-47 percent. Adding volume to the current network will help improve both container utilization and truck utilization. The RG and PSG volume is currently transported on surface transportation via the NDC network. The dedicated NDC transportation will be reduced as utilization shifts from the NDC trips to the First-Class transportation.
- 2.c. The Postal Service currently combines different products on transportation to the extent possible. This practice will increase with the proposed service standard change for RG and PSG.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

3. Please refer to Docket No. ACR2021, Library Reference USPS-FY21-32, December 29, 2021. Please also refer to the Docket No. ACR2020, Library Reference USPS-FY20-32, December 29, 2020. Please confirm that accrued inter-SCF network costs increased 32 percent between FY 2020 and FY 2021.⁵ If not confirmed, please provide the inter-SCF network transportation cost increase between FY 2020 and FY 2021, and please include the source of this value.
- a. If confirmed, please provide the reasons for this cost increase and describe to what degree each reason contributed to the observed increase in costs.
 - b. Please explain whether the Postal Service has tracked truck capacity utilization, trip frequency, surface network mileages, transportation mode assignments for all lanes, as well as unanticipated pressures on processing, dispatch, and/or delivery operations, following the implementation of the First-Class Mail (FCM) service standards. If the Postal Service has not monitored these impacts, please explain why.
 - c. Please refer to question 3.b. above. If the Postal Service has monitored the impacts of the FCM service standards implementation, please describe whether the Postal Service's data suggest that there has been a reduction in FCM capacity flown, increase in surface network utilization, and reduction in inter-SCF network trips, due to the anticipated ability to place FCM and FCPS volumes on shared transportation.⁶ Please also list the data source for the provided observations.
 - d. Please refer to question 3.c. above. If efficiencies projected from the implementation of the FCM service standards are not evident, please explain why to the extent possible.
 - e. Based on the responses to questions 3.a. to 3.d. above, please explain why the Postal Service anticipates that efficiency gains from increased truck space utilization would materialize following implementation of the changes proposed in the instant proceeding.

⁵ See Docket No. ACR2021, Library Reference USPS-FY21-32, Excel file "CS14-Public-FY21.xlsx," tab WS14.4, cell O47 for the FY 2021 inter-SCF transportation costs. See Docket No. ACR2020, Library Reference USPS-FY20-32, Excel file "CS14-Public-FY20.xlsx," tab WS14.4, cell O47 for the FY 2020 inter-SCF transportation costs.

⁶ See *generally* Docket No. N2021-1, Advisory Opinion on Service Changes Associated with First-Class Mail and Periodicals, July 20, 2021 (Docket No. N2021-1 Advisory Opinion).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

Response:

3. A response is provided by Witness Bozzo.

3.a A response is provided by Witness Bozzo.

3.b. The USPS tracks surface transportation utilization, trips, mode assignments, and network mileage. On-time trip performance is also monitored which may be indicative of "unanticipated pressures" on processing and dispatch operations. Processing Operations tracks adherence to operating plans.

3.c. The surface network utilization has continued to increase year over-year. There are many factors contributing to the increase and fluctuations in utilization, including mail volume changes, mode shifts, new processing nodes, and reduction in under-utilized transportation. The Postal Service monitors utilization referencing Surface Visibility utilization reports. The percent of volume measured on surface and air is provided by the Service Performance Measurement team when requested.

3.d. As stated in 3.c above, surface network utilization has continued to increase year over-year.

3.e. Surface utilization in FY22 is between 43-47 percent. Adding volume to the current network will help improve both container utilization and truck utilization.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

4. Please refer to USPS-T-2. The Postal Service states that the planned changes to the RG and PSG service standards are predicated on both the planned change to the FCPS service standards and the concomitant improvement and optimization of the processing and surface transportation network. USPS-T-2 at 15. Please explain what impact the addition of RG and PSG volume to the FCPS flows will have on the transportation network efficiencies estimated to be achieved following the implementation of the 2- to 5-day service standards for FCM and FCPS,⁷ specifically:

- The estimated decrease in FCPS volume transported by air from about 37 percent to about 27 percent
- The estimated 61 percent of FCM volume projected to divert from the air to the surface network
- The projected about 1 percent decrease in overall inter- SCF mileages, with about 6 percent fewer trips in the network⁸
- The estimated \$314 million in annual savings, associated with the above-referenced mileage and trip reduction, and the estimated decrease in FCM and FCPS capacity flown

Docket No. N2021-2 Advisory Opinion at 100-03, 114-19. If the Postal Service anticipates that any of the projected efficiencies listed above will not materialize, or will partially materialize, please explain why and provide revisions to original estimates to the extent possible.

Response:

As a result of combining RG and PSG with FCPS, the Postal Service expects no significant impact on the estimated decrease in FCPS volume transported by air, the estimated percent of FCM volume projected to divert from the air to the surface network,

⁷ See *generally* Docket No. N2021-2, Advisory Opinion on the Service Standard Changes Associated with First-Class Package Service, September 29, 2021 (Docket No. N2021-2 Advisory Opinion).

⁸ When compared to the actual FY 2020 inter-SCF network trips and mileages, the Commission estimated a 12 percent increase in mileages in the inter-SCF network, with about half of the network trips eliminated. Docket No. N2021-2 Advisory Opinion at 114-19.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

the projected decrease in overall inter- SCF mileages, or the projected savings from the FCM and FCPS service standard change.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

6. Please refer to USPS-T-2. The Postal Service indicates that it evaluated whether delivery by surface transportation was feasible within the 5-day window, “[g]iven the current state of the FCPS surface transportation network.” USPS-T-2 at 16. Where surface transportation was determined feasible, the Postal Service compared the price of surface transportation over a given distance to the price of air transportation “for any given package.” *Id.* at 17. Please provide details regarding the Postal Service’s transportation impact analysis.
- a. Please confirm that the current FCPS surface transportation network includes surface routes and transportation mode assignments for Origin-Destination processing facility pairs that are responsive to the currently applicable 2- to 3-day service standards for FCPS. If not confirmed, please explain.
 - b. Please confirm that the current FCPS surface transportation network, responsive to the 2- to 3-day service standards for FCPS, does not include long-distance, coast-to-coast surface routes, and includes more lanes assigned to air transportation than a 2- to 5-day FCPS network could accommodate. If not confirmed, please explain.
 - c. Please confirm whether the Postal Service determined the feasibility of the existing surface lanes, *i.e.*, lanes responsive to the currently applicable 2- to 3-day FCPS service standards, to deliver volumes within the 5-day window.
 - i. If not confirmed, please describe in detail “the current state of the FCPS surface transportation network.” USPS-T-2 at 16.
 - ii. If confirmed, please explain in detail the impact of combining limited surface reach transportation network (*i.e.*, network responsive to the currently applicable 2- to 3-day service standards) with the 2- to 5-day service window for FCPS, RG, and PSG on the estimated transportation network efficiencies and cost changes.
 - d. Please confirm whether the Postal Service’s transportation analysis resulted in some surface lanes’ volumes shifting to the air network on the basis of air transportation being more cost-effective. If not confirmed, please explain. If confirmed, please provide percentages of modeled volumes that shifted from the surface to the air network, by product.
 - e. Please confirm whether the Postal Service’s transportation analysis resulted in some air lanes’ volumes shifting to the surface network on the basis of surface transportation’s feasibility to deliver modeled volumes within the 5-day window in a cost-effective manner. If not confirmed,

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

please explain. If confirmed, please provide percentages of modeled volumes that shifted from the air to the surface network, by product.

- f. Please explain the Postal Service's statement that it compared the prices for air and surface transportation "for any given package."

Response:

6.a. Viability of surface routings were based on the current service standards for FCM and the proposed service standards for FCPS. The baseline mode assignments are based on current mode assignments from February 2022. The transit mode assignments for FCPS include air to surface shifts based on having a temporary, added transit day (due to the pandemic) to the current service standard. For the added air to surface lanes, the transit time was calculated from Origin P&DC to Destination STC, and from Destination STC (DSTC) to Destination P&DC (DPDC). Lanes capable of arriving at the DSTC before CET were deemed viable.

6.b. Confirmed.

6.c. Confirmed.

i. N/A

ii. As detailed in the preface to USPS-LR-N2022-1-NP4, additional lanes were identified as candidates to shift from air to surface by first estimating the transit time from origin to DSTC. Lanes were deemed capable if it was found that they could arrive at the DSTC and DPDC prior to CET.

6.d. As stated in the USPS-T-2, it is expected some RG and PSG will shift from surface to air transportation. (Currently, an estimated 14.0 percent of RG volume and 15.6 percent of PSG volume travels by air. Based on the consolidation of RG and PSG

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

with other First-Class volume, the Postal Service estimates that air volume for RG will increase to 28.9 percent and PSG to 15.88 percent. USPS-T-2, at 17). This is because some FCPS lanes are expected to remain transported by air in the near-term, due to lack of density to justify adding surface transportation at this time.

6.e. Please refer to USPS-LR-N2022-1-NP4 (specifically, the files RG-PSG to FCPS Svc Std Impact Analysis.pptx and Mode List and Tables for 1.15.22 to 2.25.22 RG-PSG volumes.xlsx). It is expected that combining FCPS with RG and PSG will build sufficient density to justify shifting some lanes from Air to Surface.

6.f. The decision matrix described in USPS-T-2, at 16-17, applies to RG and PSG shipments in both the current and future state. The estimated cost of added surface transportation is, for all such shipments, compared with the estimated cost to transport the volume by the air network.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

7. The Postal Service states that upgrading service standards for RG and PSG in the contiguous United States from the current 2-8 days to 2-5 days would correspond to RG and PSG products being processed together with FCPS pieces. USPS-T-2 at 1. The Postal Service then describes the current and future operational flow for RG and PSG. *Id.* at 2-10. For the impact on processing operations, the Postal Service expects reduction or elimination of “touches” for RG and PSG products in the network distribution center (NDC) network, and anticipates “negligible effects” of added RG and PSG volumes to existing FCPS and other parcel processing operations in P&DCs. USPS-T-3 at 1. Please provide details regarding anticipated changes to the Postal Service’s processing operations.
- a. Please confirm that in the present operational state, P&DC operations with respect to RG and PSG are limited to grouping bins containing RG and PSG pieces received from Post Offices, collection boxes, or in the case of PSG, from customers, and dispatching them to tier 1 or tier 2 NDCs. USPS-T-2 at 2. If confirmed, please explain whether tier 1 and tier 2 NDCs represent separate facilities, or whether they represent separate operations within the same NDC facility.
 - b. Please confirm that in the future operational state, P&DCs’ processing operations would change from grouping bins containing RG and PSG packages to sorting individual packages to their 3-digit or 5-digit destination ZIP Codes, depending on packages’ destinations. *Id.* at 6. If not confirmed, please explain. If confirmed, please explain whether P&DCs would sort machinable RG and PSG parcels on the same equipment as FCPS packages.
 - c. Please provide percentages of machinable, non-machinable, over 20 lbs, and automation rejects for RG and PSG for the last five fiscal years (*i.e.*, for FY 2017 to FY 2021). If these percentages are not available, please explain why they are not available.
 - d. Following from the Postal Service’s response to question 8.a. above, please confirm that in the future operational state, P&DCs’ dispatch operations would change from dispatching bins containing RG and PSG pieces to one or two destination points (tier 1 and tier 2 NDCs) to dispatching individual, current tier 2 NDC packages, to multiple destination P&DCs. If not confirmed, please explain.
 - e. Please describe in detail current P&DCs’ processing operations for Priority Mail (PM), Priority Mail Express (PME), FCPS, and First-Class Mail (FCM) letters and flats, in terms of processing equipment used, sortation levels, most frequent causes of processing delays, including how the Postal

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

Service aligns mail volumes' dispatch times with Critical Entry Times at destination processing facilities, and with the transportation network.

- f. Please describe the impact of added RG and PSG volumes to P&DCs' mail processing operations.
- g. Please describe the impact of added RG and PSG volumes to P&DCs' dock operations and dock congestion.
- h. Please explain which of PM, PME, FCPS, and FCM volumes the Postal Service currently places on shared surface transportation. For products not sharing surface transportation, despite it being operationally feasible, please list reasons.
- i. Please explain which of RG, PSG, PM, PME, FCPS, and FCM volumes the Postal Service plans to place on shared surface transportation and why.
- j. Removing touch points may eliminate the Postal Service's time and cost associated with certain activities (such as unloading of arriving containers and loading of containers for dispatch to additional processing nodes), but would transfer the time or cost associated with other mail processing tasks (such as sorting or barcode labeling) to other facilities for affected volumes. Please identify which mail processing activities have been entirely eliminated and which activities have been transferred to another facility. In addition, please explain whether the Postal Service evaluated capabilities of P&DCs' to handle additional package volumes in an efficient manner and how it did so.
- k. Following from the Postal Service's responses to questions 7.a. to 7.i. above, please explain why the Postal Service anticipates the addition of RG and PSG volumes to FCPS flow to have "negligible effects on existing processing of FCPS and other parcel products in plants." USPS-T-3 at 1.

Response:

7.a Confirmed. In the current state, containers received from Post Offices or mailers containing RG and PSG are dispatched to Tier 1 and Tier 2 NDC facilities; they are not currently processed at P&DCs.

Tier 1 and Tier 2 NDC facilities can be both the same facility as well as separate facilities. All NDC facilities currently perform a Tier 1 destinating sortation to their

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

specific service area. Tier 2 NDC facilities have both outgoing sortation to the network as well as a defined Tier 1 sortation to their service area. Eleven of the 21 NDCs currently have both responsibilities.

7.b. Confirmed. P&DCs would sort on origin processing operations to the specific 3-digit destinations. Once the destinating facility receives the mail, the 5-digit sortation would be accomplished. P&DCs would sort machinable RG and PSG parcels on the same equipment as FCPS packages.

7.c. A response is provided by Witness Bozzo.

7.d. Confirmed. P&DCs' dispatch operations would change from dispatching bins containing RG and PSG pieces to tier 1 and tier 2 NDCs, to dispatching individual, current tier 2 NDC packages to multiple destination P&DCs. Note that individual packages dispatched from originating P&DCs to destination P&DCs would remain bundled with FCPS.

7.e. The stated purpose of Question 7 is to "provide details regarding anticipated changes to the Postal Service's processing operations" consequent to the planned processing consolidation of RG and PSGF with FCPS. With respect to PME and FCM letters and flats, the Postal Service does not anticipate any changes to processing operations consequent to the planned processing consolidation of RG and PSG with FCPS; the impact to processing operations consequent to this consolidation would instead be confined to FCPS. This is because the machines, operating windows, and operation processes assigned to PME and FCM letters and flats are distinct from those assigned to FCPS.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

In general, FCPS and PM are processed similarly: PM and FCPS are products that use package sorter equipment and manual operations to sort. These are sorted based on the 3-digit ZIP Code on the outgoing or origin processing operation. Package sorters are used for PM and FCPS processing. Package equipment includes Automated Delivery Unit Sorter (ADUS), Automated Package and Bundle Sorter (APBS), Automated Package Processing System (APPS), High Output Package Sorter (HOPS), Small Package Sorting System (SPSS), Small Delivery Unit Sorter (SDUS), Enhanced Package Processing Sorter (EPPS), RAPISTAN, Package Sorter Machines (PSM) and High Throughput Package Sorter (HTPS). Note that larger P&DC facilities decouple their FCPS and PM processing on separate machines, while smaller P&DC facilities combine the two products in one operation; in doing so, they extract FCPS volume from containers that would fly to PM destinations, and sort this to FCPS-distinct containers. This action decouples the air PM mode from the FCPS mail.

Common causes of processing delays for packages are capacity shortfall, logistics (including FedEx network) and staffing.

With regard to the alignment of mail volumes' dispatch times with Critical Entry Times and with the transportation network, PM's arrival profile requirement is defined as 2200 as of the day prior to expected delivery; that for FCPS is defined as 2000 as of the day prior to expected delivery; and that for FC Flats and letters is defined as 0800. Package Outgoing operations typically run between 1800 and 0115. Package Destination Operations run from as early as 0800 throughout the entire day and would run up to 20 hours. Every plant has established dispatch times for all products due for delivery that

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

day. These dispatch times are based on individual P&DC scheduled volume arrival profile (VAP), equipment availability, staffing, and a schedule that is determined so as to include the number of trips needed to each Post Office. Each scheduled trip carries mail available to each Post Office and includes all mail classes and shapes due for delivery that day.

7.f. RG and PSG will increase the package volume at origin processing facilities as it is merged into the FCPS operation. However, RG and PSG represent a very small volume at any origin facility and can be absorbed into the operation without impact to the FCPS product.

7.g. USPS Operations no longer will receive the RG and PSG in Tier 1 and 2 containers. It will instead be merged with FCPS. There will be in fact less dock congestion due to the merging of RG and FCPS into the same container as opposed to separate less-than-full containers that would require P&DC operations to unload, then reload to a NDC facility for disposition.

7.h. All of these products can be placed on the same surface transportation based on the Origin and Destination pairs. When there is an operational need to expedite the departure of a product like PME or Priority Mail, early departure times are used to ensure arrival at destination to meet their operating plan and clearance times. Note that PME and Priority Mail have different critical entry times, which can occasionally give rise to such a need.

7.i. See 7h above. The future state would not differ from the current state described therein. Where opportunities exist, we would continue to combine various classes and

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

products based on the Origin and Destination ZIP Code pairs. The addition of RG and PSG would not impact available cube space to the extent of preventing such combinations of classes and products or of increasing costs.

7.j. USPS Operations would eliminate the transfer from Plant to NDC and all activities involved in the transfer and processing at the host NDC. The NDC activities eliminated include unloading, processing, labelling, dispatching, loading, and transiting to next NDC. In the future state, these activities would be merged with FCPS. USPS Operations already performs all these same activities today in the processing facilities.

7.k. With regard to the processing of RG, PSG and FCPS, we analyzed operating plans to determine if the origin and destination plants could absorb the very small volume that we estimate would be merged into FCPS operations. We determined, in concert with the Logistics group, that P&DCs could accommodate the additional mail volume, and that a sufficient amount of cube space was available on existing transportation.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

3. Please refer to Docket No. ACR2021, Library Reference USPS-FY21-32, December 29, 2021. Please also refer to the Docket No. ACR2020, Library Reference USPS-FY20-32, December 29, 2020. Please confirm that accrued inter-SCF network costs increased 32 percent between FY 2020 and FY 2021.⁹ If not confirmed, please provide the inter-SCF network transportation cost increase between FY 2020 and FY 2021, and please include the source of this value.
- a. If confirmed, please provide the reasons for this cost increase and describe to what degree each reason contributed to the observed increase in costs.
 - b. Please explain whether the Postal Service has tracked truck capacity utilization, trip frequency, surface network mileages, transportation mode assignments for all lanes, as well as unanticipated pressures on processing, dispatch, and/or delivery operations, following the implementation of the First-Class Mail (FCM) service standards. If the Postal Service has not monitored these impacts, please explain why.
 - c. Please refer to question 3.b. above. If the Postal Service has monitored the impacts of the FCM service standards implementation, please describe whether the Postal Service's data suggest that there has been a reduction in FCM capacity flown, increase in surface network utilization, and reduction in inter-SCF network trips, due to the anticipated ability to place FCM and FCPS volumes on shared transportation.¹⁰ Please also list the data source for the provided observations.
 - d. Please refer to question 3.c. above. If efficiencies projected from the implementation of the FCM service standards are not evident, please explain why to the extent possible.
 - e. Based on the responses to questions 3.a. to 3.d. above, please explain why the Postal Service anticipates that efficiency gains from increased truck space utilization would materialize following implementation of the changes proposed in the instant proceeding.

⁹ See Docket No. ACR2021, Library Reference USPS-FY21-32, Excel file "CS14-Public-FY21.xlsx," tab WS14.4, cell O47 for the FY 2021 inter-SCF transportation costs. See Docket No. ACR2020, Library Reference USPS-FY20-32, Excel file "CS14-Public-FY20.xlsx," tab WS14.4, cell O47 for the FY 2020 inter-SCF transportation costs.

¹⁰ See *generally* Docket No. N2021-1, Advisory Opinion on Service Changes Associated with First-Class Mail and Periodicals, July 20, 2021 (Docket No. N2021-1 Advisory Opinion).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

Response:

3. Confirmed that accrued inter-SCF costs increased 32 percent from FY2020 to FY2021.

3.a. The increase in accrued inter-SCF network costs between FY 2020 and FY 2021 is due to a combination of related factors, namely shifts in transportation mode usage due to lack of air supplier availability, increases in the per-mile costs of highway contracts, and an increase in miles driven.

In FY 2021, Postal Service transportation operations continued to be impacted by pandemic related conditions. The network experienced continued reductions in commercial air availability due to fewer scheduled flights, changed schedules, and airline use of smaller planes with reduced cargo space.¹¹ Reduced commercial air capacity necessitated a shift to charter flights and increased use of highway transportation including increased inter-SCF mileage to meet service standards.¹²

High demand for transportation services throughout the economy coupled with a national shortage of drivers significantly increased the average cost per mile for highway contractors, which in turn increased inter-SCF accrued cost. As contracts expire or change, those contract costs reset to (higher) market rates.

3.b. A response is provided by Witness Bray.

¹¹ Docket No. ACR2021, Annual Compliance Report at 50 (December 29, 2021).

¹² United States Postal Service, Form 10-K at 11 (November 10, 2021).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

- 3.c. A response is provided by Witness Bray.
- 3.d. A response is provided by Witness Bray.
- 3.e. A response is provided by Witness Bray.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

7. The Postal Service states that upgrading service standards for RG and PSG in the contiguous United States from the current 2-8 days to 2-5 days would correspond to RG and PSG products being processed together with FCPS pieces. USPS-T-2 at 1. The Postal Service then describes the current and future operational flow for RG and PSG. *Id.* at 2-10. For the impact on processing operations, the Postal Service expects reduction or elimination of “touches” for RG and PSG products in the network distribution center (NDC) network, and anticipates “negligible effects” of added RG and PSG volumes to existing FCPS and other parcel processing operations in P&DCs. USPS-T-3 at 1. Please provide details regarding anticipated changes to the Postal Service’s processing operations.
- a. Please confirm that in the present operational state, P&DC operations with respect to RG and PSG are limited to grouping bins containing RG and PSG pieces received from Post Offices, collection boxes, or in the case of PSG, from customers, and dispatching them to tier 1 or tier 2 NDCs. USPS-T-2 at 2. If confirmed, please explain whether tier 1 and tier 2 NDCs represent separate facilities, or whether they represent separate operations within the same NDC facility.
 - b. Please confirm that in the future operational state, P&DCs’ processing operations would change from grouping bins containing RG and PSG packages to sorting individual packages to their 3-digit or 5-digit destination ZIP Codes, depending on packages’ destinations. *Id.* at 6. If not confirmed, please explain. If confirmed, please explain whether P&DCs would sort machinable RG and PSG parcels on the same equipment as FCPS packages.
 - c. Please provide percentages of machinable, non-machinable, over 20 lbs, and automation rejects for RG and PSG for the last five fiscal years (*i.e.*, for FY 2017 to FY 2021). If these percentages are not available, please explain why they are not available.
 - d. Following from the Postal Service’s response to question 8.a. above, please confirm that in the future operational state, P&DCs’ dispatch operations would change from dispatching bins containing RG and PSG pieces to one or two destination points (tier 1 and tier 2 NDCs) to dispatching individual, current tier 2 NDC packages, to multiple destination P&DCs. If not confirmed, please explain.
 - e. Please describe in detail current P&DCs’ processing operations for Priority Mail (PM), Priority Mail Express (PME), FCPS, and First-Class Mail (FCM) letters and flats, in terms of processing equipment used, sortation levels, most frequent causes of processing delays, including how the Postal

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

Service aligns mail volumes' dispatch times with Critical Entry Times at destination processing facilities, and with the transportation network.

- f. Please describe the impact of added RG and PSG volumes to P&DCs' mail processing operations.
- g. Please describe the impact of added RG and PSG volumes to P&DCs' dock operations and dock congestion.
- h. Please explain which of PM, PME, FCPS, and FCM volumes the Postal Service currently places on shared surface transportation. For products not sharing surface transportation, despite it being operationally feasible, please list reasons.
- i. Please explain which of RG, PSG, PM, PME, FCPS, and FCM volumes the Postal Service plans to place on shared surface transportation and why.
- j. Removing touch points may eliminate the Postal Service's time and cost associated with certain activities (such as unloading of arriving containers and loading of containers for dispatch to additional processing nodes), but would transfer the time or cost associated with other mail processing tasks (such as sorting or barcode labeling) to other facilities for affected volumes. Please identify which mail processing activities have been entirely eliminated and which activities have been transferred to another facility. In addition, please explain whether the Postal Service evaluated capabilities of P&DCs' to handle additional package volumes in an efficient manner and how it did so.
- k. Following from the Postal Service's responses to questions 7.a. to 7.i. above, please explain why the Postal Service anticipates the addition of RG and PSG volumes to FCPS flow to have "negligible effects on existing processing of FCPS and other parcel products in plants." USPS-T-3 at 1.

Response:

7.a. A response is provided by Witness Bray.

7.b. A response is provided by Witness Bray.

7.c. Please see the workbook POIR.2.7c.NP.xlsx in USPS-N2022-1-NP7 for data responsive to the request.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

Please note that machinable percentages for RG, and product-specific reject percentages, are not available. RG does not have separate prices for machinable and non-machinable pieces (other than oversize pieces), thus as noted in USPS-T-3 at 5, RG volume data do not distinguish machinable from nonmachinable volumes. The RG oversize percentages are provided. Data sources for computing reject rates including the Management Operating Data System (MODS) and webEOR (providing end-of-run summary data for automated processing operations) do not provide product-specific data on attempted, rejected, and/or successful piece handlings. Additionally, computing product-specific reject rates is not possible in principle because significant fractions of both rejected and successfully processed pieces lack barcode scan data sufficient to identify products for all processed pieces. For example, pieces may be rejected due to the lack of a barcode scan or may be successfully sorted based on OCR or remote encoding results.

Additionally, please note that due to a change in data source from ODIS-RPW to Product Tracking and Reporting (PTR) data, the machinable percentage for PSG in FY2017 is not directly comparable to the FY2018-FY2021 data.

7.d. A response is provided by Witness Bray.

7.e. A response is provided by Witness Bray.

7.f. A response is provided by Witness Bray.

7.g. A response is provided by Witness Bray.

7.h. A response is provided by Witness Bray.

7.i. A response is provided by Witness Bray.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

- 7.j. A response is provided by Witness Bray.
- 7.k. A response is provided by Witness Bray.